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COMMERCE FOR DANICA STARKS

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TAGS: [BEXP](#) [BTIO](#) [ECON](#) [PGOV](#) [KG](#)  
SUBJECT: KYRGYZSTAN: AMBASSADOR REACHES OUT TO BUSINESS  
COMMUNITY

Classified By: Amb. Tatiana Gfoeller, Reason 1.4 (b) and (d).

¶1. (C) Summary: In the past month, the Ambassador has met American Chamber of Commerce (AmCham) members to gauge local business conditions. Some AmCham members suspect that the recent greater scrutiny of foreign companies is an attempt to "squeeze" more funds from their operations. On a positive note, the local Coca Cola plant is working at capacity, despite electricity disruptions and the exodus of trained staff to Russia and Kazakhstan, but is also seeking to avoid land lease disputes with the Bishkek mayor by signing a new agreement with the Kyrgyz prime minister. The investment environment remains challenging, and actions by Kyrgyz authorities perpetuate the difficulties of conducting business in the Kyrgyz Republic. End summary.

American Chamber of Commerce Outreach  
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¶2. (SBU) The Ambassador hosted a September 10 lunch with the Board and Executive Director of the American Chamber of Commerce in the Kyrgyz Republic (AmCham). Board members relayed to the Ambassador that foreign companies were under greater scrutiny, and speculated that government authorities wanted to "squeeze" additional funds from them. One company executive added that government officials seemed unable to comprehend that industrial production might vary during the year, and thereby generate lower than expected tax revenues. Another Board member described a slowdown in industrial production throughout the Kyrgyz economy, and also cited the closure and sale of various smaller firms by businesspeople moving to Russia.

Visit to Coca Cola Bottling Plant  
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¶3. (SBU) On September 25, the Ambassador toured the Turkish-run Coca Cola bottling plant, which produces several product lines and represents a \$33 million investment in the Kyrgyz Republic. Currently operating at full capacity, the Bishkek plant must import supplemental production from Kazakhstan to meet local market demand. In 2007, the Bishkek plant produced 35 million liters of products, and plans to expand capacity to 100 million liters. Nearly 60% of sales occur in the Bishkek region, 20% in Osh (the country's second-largest city) with remaining sales elsewhere in the country. The plant manager, Ezel Agaoglu, admitted that skilled staff continue to leave for Russia and Kazakhstan, and said that staff turnover is around 30% annually. In response to the Ambassador's query, Agaoglu said that despite some arrangements being made with the local electricity authorities, cuts in electricity supplies had harmed production.

¶4. (C) Agaoglu pointed out an adjacent plot of land which he hopes to obtain via a long-term lease to expand the facility.

In an apparent attempt to avoid the land lease problems experienced by the local Hyatt, Agaoglu said he planned to bypass the Bishkek mayor and secure the land lease deal with the Prime Minister. In response to a question about inspections, he noted that government inspectors come once a month, but claimed that they do not request bribes.

Comment

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¶5. (SBU) The Kyrgyz Republic remains a challenging environment for investors. The unresolved negotiations between the government and the Canadian-run Kumtor gold mining operation seem to be on the mind of many potential investors Embassy meets. The summertime dispute between the Bishkek mayor and the Hyatt which resulted in the destruction by municipal workers of the Hyatt's security fence is another negative factor affecting the environment. At the October 2 opening of the Bishkek trade fair, Kyrgyz security officers slammed shut the entrance to the exhibit in the faces of assembled dignitaries and businesspeople in order to provide exclusive time for the government's chief trade promotion official to tour the exhibits in private. Such actions will continue to cause the Kyrgyz difficulty in attracting private investment.

¶6. (U) The Ambassador plans to host an AmCham Members Day event in mid-October to become even better acquainted with the business community.

GFOELLER